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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section

DR. KENNETH M. STONE, CPA
Internal Audit Executive

Carahan Courthouse Building
1114 Market St., Room 642
St. Louis, Missouri 63101
(314) 622-4723
Fax: (314) 613-3004

August 12, 2009

Richard Hrabko, Director of Airports
Lambert – St. Louis International Airport
P.O. Box 10212
St. Louis, MO 63145

RE: Baggage Cart Rental and Electronic Locker Rental Concession Agreement
(Project #2008-54)

Dear Mr. Hrabko:

Enclosed is the Internal Audit Section's report of the review of the Baggage Cart Rental and Electronic Locker Rental Concession Agreement between the City of St. Louis and St. Louis Luggage Carts, LLC, doing business as Central Carts for the period March 3, 2005, through December 31, 2007. The audit objective was to determine if St. Louis Luggage Carts, LLC, doing business as Central Carts, effectively and efficiently manages risks to ensure:

- Accomplishment of established objectives and goals
- Compliance with applicable laws, regulations, policies and procedures
- Safeguarding of assets
- Reliability and integrity of financial and operational information
- Economic and efficient use of resources

Fieldwork was completed on October 24, 2008. Management's responses to the observation and recommendation noted in the report were received on July 23, 2009, and have been incorporated in the report.

This review was made under the authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with *the International Standards for Professional Practice of Internal Auditing*.



CITY OF ST. LOUIS

LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT

**REVIEW OF BAGGAGE CART RENTAL AND
ELECTRONIC LOCKER RENTAL CONCESSION AGREEMENT**

#AL-064

MARCH 3, 2005 THROUGH DECEMBER 31, 2007

PROJECT #2008-54

DATE ISSUED: AUGUST 12, 2009

**Prepared by:
The Internal Audit Section**

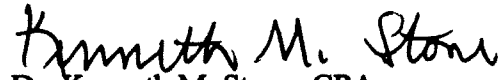


OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Sincerely,

A handwritten signature in black ink that reads "Kenneth M. Stone". The signature is written in a cursive style with a large, stylized "K" and "S".

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Gerard Slay, Senior Deputy Director, Lambert – St. Louis International Airport
Susan Kopinski, Deputy Director Finance and Administration,
Lambert – St. Louis International Airport
Henrietta Brown, Assistant Airport Director, Accounting and Finance,
Lambert – St. Louis International Airport
Robert Salarano, Properties Manager, Lambert – St. Louis International Airport
James Fox, CPA, Audit Supervisor, Lambert – St. Louis International Airport

**CITY OF ST. LOUIS
LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
BAGGAGE CART RENTAL AND ELECTRONIC LOCKER RENTAL
CONCESSION AGREEMENT #AL-064
MARCH 3, 2005 THROUGH DECEMBER 31, 2007**

EXECUTIVE SUMMARY

Purpose

The purpose of the review was to determine if the contractor had adequate controls in place to provide reasonable assurance of the following:

- Accomplishment of established objectives and goals
- Compliance with applicable laws, regulations, policies, and procedures
- Reliability and integrity of operational information
- Economic and efficient use of resources
- Reliability and integrity of financial information

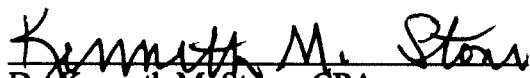
Conclusion

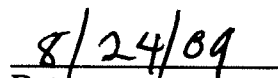
The opportunity exists for the Airport to ensure the Concessionaire's compliance with the terms and conditions of the Baggage Cart Rental and Electronic Locker Rental Concession Agreement. Following is the observation resulting from the review:

- Opportunity to verify rental receipts

Each of these observations is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.


Dr. Kenneth M. Stone, CPA
Internal Audit Executive


Date

**CITY OF ST. LOUIS
LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
BAGGAGE CART RENTAL AND ELECTRONIC LOCKER RENTAL
CONCESSION AGREEMENT #AL-064
MARCH 3, 2005 THROUGH DECEMBER 31, 2007**

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INTRODUCTION

Background

Baggage Cart Rental and Electronic Locker Rental Concession Agreement #AL-064 (Agreement) is an agreement between the City of St. Louis and St. Louis Luggage Carts, LLC, doing business as Central Carts (Concessionaire) to provide baggage cart rental and electronic locker rental services to all users of the Lambert – St. Louis International Airport (Airport). The original Agreement was for the period December 1, 2002 through November 30, 2007. However, it was amended to continue through November 30, 2010.

The Agreement required the Concessionaire to pay the City greater of a minimum annual guarantee (MAG) of \$110,000 for the years one through three, \$120,000 for the years four through eight, or 23% for the first two years and 25% of the gross receipts for the remaining eight years.

Purpose

The purpose of the review was to determine if the Concessionaire has adequate controls in place to provide reasonable assurance of the following:

- Accomplishment of established objectives and goals
- Compliance with applicable laws, regulations, policies, and procedures
- Safeguarding of assets
- Reliability and integrity of financial information
- Economic and efficient use of resources

Scope and Methodology

The review was confined to the Concessionaire's compliance with the terms and conditions of the Agreement. Procedures included inquiries of the management of the Concessionaire, Finance, Reporting and Contracts Administration sections of the Airport and a limited review of gross receipts totaling approximately \$229,903, for the period March 3, 2005, through December 31, 2007.

Exit Conference

An exit conference was held at Lambert – St. Louis International Airport on Tuesday, July 14, 2009. Joe Mollish, General Manager; Theresa Lavora, Accounting Manager; and Keith Daniel, Manager, represented the Concessionaire. Leonard E. Bell, Jr. represented the Internal Audit Section.

INTRODUCTION

Management's Response

Management's responses to the observation and recommendation noted in this report were received from the contractor on July 23, 2009. The responses have been incorporated into this report.

OBSERVATIONS

Status of Prior Observations

Internal Audit has not previously reviewed this Agreement; therefore, there were no prior observations.

Summary of Current Observations

The opportunity exists for the Airport to ensure Concessionaire's compliance with the terms and conditions of the agreement. The following is the observation resulting from the review.

- Opportunity to verify rental receipts

Each of these observations is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

**DETAILED OBSERVATIONS, RECOMMENDATIONS
AND MANAGEMENT'S RESPONSES**

Opportunity to Verify Rental Receipts

There were differences between the gross receipts the Concessionaire reported to the Airport and its accounting records.

- A comparison of the daily gross receipts on the Daily Gross Receipts Reports, for six randomly selected months, to the gross receipts deposited in the bank by the Concessionaire disclosed:
 - Gross receipts deposited for the months of June and September 2005, July and December 2006, and August 2007 were less than the gross receipts reported on the Daily Gross Receipts Reports by \$21,631.
 - Gross receipts deposited in the bank for January 2007, exceeded the gross receipts reported on the Daily Gross Receipts Report by \$4,793.
- For the calendar years 2003 through 2005 the gross receipts deposited in the bank exceeded the gross receipts reported on the Daily Gross Receipts Reports by \$128, 628 as follows:
 - Calendar Year 2005 ----- \$ 46,511
 - Calendar Year 2006 ----- 39,964
 - Calendar Year 2007 ----- 42,153
 - \$128,628

Article IV of the Agreement states, "Concessionaire shall submit to City by the 15th day of the second and each succeeding month of the term thereof, two copies of an accurate statement of Gross Revenue for both baggage cart rental and electronic locker rental services."

During the review, it was noted that the Concessionaire did not reconcile the gross receipts reported on the Daily Gross Receipts Report to the receipts deposited in the bank. In addition, the Concessionaire did not follow-up on the credit card chargeback transactions (credit card transactions that were denied for payment).

Unverified Gross Receipt Reports increases the risk to the Airport of a potential loss of the revenues from the baggage cart and electronic locker rentals.

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

Recommendation

It is recommended that the Concessionaire establish a system of internal control to ensure that the:

- Reconciliations of bank statements to the Daily Cash Reports are performed monthly
- Gross receipts reported in monthly reports to the Airport Authority are agreed to its internal accounting records such as the statement of gross receipts, sales summary statements, bank statements and independent auditor's report
- Credit card chargebacks are identified and resolved in a timely manner

Additionally, it is recommended the Airport improve its monitoring of the Agreement to ensure that:

- Daily cash collections by Concessionaire are reviewed and documented
- Concessionaire's Daily Gross Receipt Reports are reconciled to the internally maintained daily cash collection records
- All differences are documented, investigated and resolved

Management's Response

The contractor is currently working with the corporate office to improve the efficiency of the credit card transactions and documenting the loss of revenue. Moving forward, the contractor will begin submitting quarterly reconciliations of luggage cart rental revenue received to the Airport.